

LOUISIANA BOARD OF REGENTS
FOR HIGHER EDUCATION
STATE OF LOUISIANA



PROCEDURAL REPORT
ISSUED APRIL 27, 2005

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

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STEVE J. THERIOT, CPA
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April 4, 2005

**LOUISIANA BOARD OF REGENTS
FOR HIGHER EDUCATION
STATE OF LOUISIANA
Baton Rouge, Louisiana**

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the Louisiana Board of Regents for Higher Education. Our procedures included (1) a review of the board's internal controls; (2) tests of financial transactions for the period July 1, 2003, through April 4, 2005; and (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the period July 1, 2003, through April 4, 2005. Our procedures were more limited than would be necessary to give an opinion on internal control and on compliance with laws, regulations, policies, and procedures governing financial activities.

Specifically, we interviewed management personnel and selected board personnel and evaluated selected documents, files, reports, systems, procedures, and policies, as we considered necessary. After analyzing the data, we developed a recommendation for improvement. We then discussed our finding and recommendation with appropriate management personnel before submitting this written report.

The Annual Fiscal Report of the Louisiana Board of Regents for Higher Education was not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. The board's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions. While we did not perform an audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, we did perform certain procedures related to compliance with federal laws and regulations in accordance with those standards. Our finding related to federal compliance testing is included in this procedural report and will be included in the Single Audit Report for the State of Louisiana.

Based on the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

Noncompliance With Subrecipient Monitoring Requirement

The Louisiana Board of Regents for Higher Education (board) did not comply with the Office of Management and Budget (OMB) Circular A-133 compliance requirement for subrecipient monitoring. OMB Circular A-133 requires the pass-through entity to monitor subrecipients during the award to ensure compliance with applicable federal laws and regulations. OMB A-133 also states that the pass through entity is required to

(1) ensure that a subrecipient has met the audit requirements of OMB A-133; (2) issue a management decision on any findings for the subrecipient; and (3) follow up on the subrecipient's corrective actions.

Inquiries of management and a review of the board's financial statements revealed that it has not implemented procedures to review subrecipient audit reports and assess the impact of the subrecipient activities on the board's compliance with laws and regulations. The board does not have documentation to support that the fiscal year 2003 subrecipient audit reports have been reviewed as of January 21, 2005. In addition, the board's staff does not perform site visits or obtain supporting documentation for the invoices submitted by the subrecipients. Without supporting documentation or site visits to periodically check documentation controls, the board does not have the ability to verify that costs are allowable before payment is made to the subrecipient during the award period.

The board lacks a centralized monitoring function to organize and supervise monitoring activities and to ensure subrecipient compliance with federal laws and regulations. Until October 2004, there were no formal written procedures for monitoring subrecipients. In response to a finding from the National Science Foundation in April 2004, the board developed written procedures that became effective in October 2004. However, as of January 21, 2005, those procedures have not been implemented.

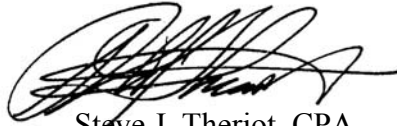
Failure to adequately monitor subrecipients impairs the ability to evaluate the impact of subrecipient activities on overall compliance with laws and regulations. Costs incurred by a subrecipient that have not been appropriately monitored are at increased risk of being treated as disallowed costs by the federal grantors. For each of the two years ending June 30, 2003 and 2004, the board passed through 90% of its federal funds to subrecipients. During the 2004 fiscal year, the board passed through a total of \$643,450 to seven nonstate subrecipients and \$5,339,328 to 18 state subrecipients.

The board should develop a centralized monitoring function to organize and supervise subrecipient monitoring activities. In addition, the board should immediately implement its new subrecipient monitoring policies and procedures that include reviewing the subrecipient audit reports and performing site visits. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A).

The recommendation in this report represents, in our judgment, that most likely to bring about beneficial improvement to the operations of the board. The nature of the recommendation, its implementation cost, and its potential impact on the operations of the board should be considered in reaching decisions on courses of action. The finding relating to the board's compliance with applicable laws and regulations should be addressed immediately by management.

This report is intended solely for the information and use of the board and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Steve J. Theriot', with a stylized flourish at the end.

Steve J. Theriot, CPA
Legislative Auditor

DG:ES:PEP:dl

REGENTS04

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Management's Corrective Action
Plan and Response to the
Finding and Recommendation

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Pat A. Strong
Secretary

E. Joseph Savoie
Commissioner of
Higher Education



BOARD OF REGENTS

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Jeraul Mackey, Student Member

March 15, 2005

Mr. Steve J. Theriot, CPA
Legislative Auditor
1600 North Third Street
Baton Rouge, La. 70804-9397

Dear Mr. Theriot:

The Louisiana Board of Regents concurs with the finding entitled **Non-Compliance with Subrecipient Monitoring Requirement**.

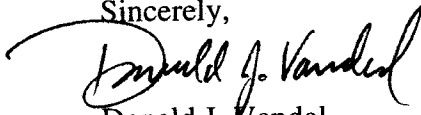
The Board of Regents has gone through substantial reorganization mainly due to some key personnel retirements. Verification as to what was or what was not done in regards to the review of the FY 2003 OMB A-133 audit could not be obtained. Beginning with the 2004 OMB A-133 audits, procedures will be implemented in order to ensure that the audits are received, reviewed, a management decision is issued on any finding, and if the finding deals with our specific program, subrecipients' corrective actions are followed through.

In a good faith effort to make sure that the FY 2003 OMB A-133 audit was reviewed, we noticed 3 public entities that received pass-through funds from the Board of Regents had findings in the FY 2003 OMB-133 audit. We have also requested and received to date 4 of 6 of the FY 2003 OMB A-133 audits from private institutions that received passthrough funding. In regards to public institutions, Grambling State University was cited for federal draw downs and accrued receivables recorded in the general ledger not reconciling to grant expenditures. The Board recognizes that this finding could correlate to the invoices received from Grambling for our passthrough funds being unsupported. However, in a review of the audit report for Grambling State University of 2004, they had corrected this problem. GSU was also cited for Noncompliance with State's Movable Property Regulations. Upon review of the 2004 audit report, this finding had not been corrected. The Board of Regents does not materially fund equipment purchases through its passthrough grant with Grambling State University. In the passthrough grant that the BOR has with GSU, for the period of FY 2001-2005, we have spent

\$4,025.84 on equipment. As part of the review that our auditors will be conducting, we will however, have GSU account for all funds received from the Board of Regents for equipment. We will also ensure that GSU has complied with state property regulations in regards to these funds. Louisiana State University Health Science Center (New Orleans) was cited for having no formal disaster recovery plan. This citing is also beyond the scope of the Board of Regents and does not directly affect passthrough funds awarded to LSUHSC NO by the Board of Regents. Southern University A&M College was cited for Aid exceeded Documented need in regards to its issuing of financial aid to students. Again, this is beyond the scope of the Board of Regents and does not directly affect passthrough funds awarded to Southern by the Board of Regents. In regards to the findings of the private institutions, we will review the reports for Xavier and Dillard when they are received. Tulane University was cited for several deficiencies in regards to various federal awards. Although the particular federal awards cited are not under our program, we recognize that some of these same problems may occur in our program and are committed to accounting for the monies passed through to Tulane by the Board of Regents. Our Lady of Holy Cross was cited for Cash Account Authorization and Reporting and Eligibility deficiencies in regards to administration of its Pell Grant Program. In order to ensure that funds passed through to OLHC by the Board of Regents were sufficiently accounted for, the BOR will obtain supporting documentation and reconciliation of the funds to the general ledger. Loyola and Centenary had no findings that needed attention.

The Board of Regents developed written procedures for monitoring of subawards in October 2004. However, because the Board of Regents has a limited audit staff, which is responsible for various types of activities, it was decided that the audits of passthrough entities would be scheduled to coincide with the institutions audits of student credit hours, aid to independent institutions, as well as endowment accounts. The desk reviews and preparation for these audits are being done now and the site visits will take place throughout the summer. These reviews will cover the periods of FY 2003-2005. The persons responsible for the above actions are Wendy Simoneaux, Associate Commissioner for Finance and Administration, Janice Hill and Angela Davis, Higher Education Auditors. These reviews will be ongoing processes and institutions will be reviewed on the attached rotating schedule with special attention given to those institutions that are receiving passthrough funds from the BOR for the first time, considered high risk, or have received OMB A-133 audit findings.

Sincerely,



Donald J. Vandal

Deputy Commissioner for Finance and Administration

**Louisiana Board of Regents
Fiscal Year Ended 2003 & 2004
Passthrough Entities**

	2004 Amount Given	2003 Amount Given	Total
Nunez CC	5,124	1,318	6,442
Xavier	3,525	6,996	10,521
LSU AG	-	23,230	23,230
Southern S	10,096	13,622	23,718
Loyola	21,008	10,492	31,500
LSU S	-	50,000	50,000
LSU A	58,701	43,780	102,481
Dillard	100,795	13,826	114,621
OLHC	70,299	44,341	114,640
LSUHSC S	14,280	142,860	157,140
Southeastern	65,167	107,121	172,288
Northwestern	80,755	102,287	183,042
Grambling	54,380	159,216	213,596
SUNO	105,483	129,412	234,895
Centenary	116,901	143,025	259,926
ULM	89,730	177,946	267,676
Nicholls	197,920	198,844	396,764
McNeese	162,473	268,052	430,525
LUMCON	230,303	334,122	564,425
ULL	298,227	322,247	620,474
Tulane	351,070	587,902	938,972
LSU HSC N	618,302	549,510	1,167,812
SUBR	777,634	611,582	1,389,216
LA Tech	901,704	869,348	1,771,052
LSU BR	931,555	1,142,387	2,073,942
UNO	772,334	1,311,708	2,084,042
	6,037,766	7,365,174	13,402,940

Public Institutions: 20

Year 1 - Top 1/2

UNO
LSU BR
LA Tech
SUBR
LSU HSC N
ULL
Grambling switched w/ Lumcon b/c of audit finding
McNeese
Nicholls
ULM

Year 2 - Bottom 1/2

SUNO
Lumcon switched w/ Grambling b/c of audit finding
NSU
SLU
Nunez CC
LSU AG
Southern S
LSU S
LSU A
LSUHSC S

Private Institutions: 6

Year 1 - all 6

OLHC
Centenary
Tulane
Xavier
Loyola
Dillard